

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-03 H-01 INR-07 L-02

NSAE-00 NSC-05 PA-01 RSC-01 PRS-01 SP-02 SS-15

USIA-06 AGR-05 FEA-01 AID-05 COME-00 EB-07 FRB-01

TRSE-00 XMB-02 OPIC-03 CIEP-01 LAB-04 SIL-01 OMB-01

STR-01 CEA-01 TAR-01 INT-05 /094 W

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R 261545Z DEC 74

FM AMEMBASSY MANAGUA

TO SECSTATE WASHDC 5844

INFO AMEMBASSY GUATEMALA

AMEMBASSY TEGUCIGALPA

AMEMBASSY SAN JOSE

AMEMBASSY SAN SALVADOR

AMEMBASSY PANAMA

AMEMBASSY MEXICO

AMEMBASSY CARACAS

AMEMBASSY BOGOTA

AMEMBASSY BRASILIA

C O N F I D E N T I A L SECTION 1 OF 2 MANAGUA 4949

E.O. 11652: GDS

TAGS: PFOR, ETRD, EAGR, NU

SUBJECT: FAVORABLE REACTION TO VENEZUELAN PLANS

SUMMARY. NICARAGUANS HAVE BEEN GENERALLY PLEASED BY VENEZUELAN FINANCING SCHEMES. SOMOZA HAS PRAISED VENEZUELA IN STATESMANLIKE WAY WHILE DENYING THAT THERE IS ANY POLITICAL QUID PRO QUO INVOLVED. OTHER GON SOURCES STILL SOMEWHAT SUSPICIOUS OF VENEZUELAN MOTIVES AND WARY OF U.S. REACTION. OPPOSITION ELEMENTS ARE HIGHLY LAUDATORY OF PRESIDENT PEREZ. NICARAGUAN LEADERS IN GENERAL SEEM EMBARRASSED BY DECISION TO REJECT COFFEE RETENTION PLAN WHICH MAY GIVE NICARAGUA FREE RIDE. VENEZUELA HAS SCORED PUBLIC RELATIONS COUP THROUGH ITS ADEPT AND
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TIMELY PRESENTATION. END SUMMARY

1. VENEZUELA'S PLAN TO FINANCE OIL IMPORTS AND, ALTHOUGH REJECTED BY NICARAGUA, RETENTION OF COFFEE EXPORTS HAS ELICITED A WIDELY FAVORABLE REACTION HERE. NEVERTHELESS, THE GENERALLY POSITIVE RESPONSE EMBRACES A VARIETY OF SHADES RANGING FROM WILDLY ENTHUSIASTIC ABOUT VENEZUELA'S ACTION TO DOWNRIGHT SUSPICIOUS ABOUT ITS POLITICAL MOTIVES.

2. PRESIDENT SOMOZA HAS PRESENTED HIMSELF AS HIGHLY SATISFIED WITH THE VENEZUELAN GESTURE AND WARMLY APPRECIATIVE OF PRESIDENT PEREZ' EFFORTS. HE TOLD REPORTERS UPON HIS RETURN FROM CARACAS LAST WEEK THAT WITH THIS STEP VENEZUELA HAS BECOME A TRUE FINANCIAL CENTER OF THE HEMISPHERE WHERE THE DEVELOPING COUNTRIES COULD NOW TURN FOR ASSISTANCE. HE HAS REPEATEDLY EXPRESSED HIS GRATITUDE FOR VENEZUELA'S OFFERS, STATING THAT IT HAS GIVEN NICARAGUA A BETTER CHANCE OF IMPROVING ITS STANDARD OF LIVING AND OF BRINGING ABOUT CENTRAL AMERICAN INTEGRATION. AS USUAL, SOMOZA HAS ATTEMPTED TO CHARACTERIZE THE PRESENT NICARAGUAN-VENEZUELAN RELATIONSHIP IN A PERSONAL WAY, POINTING OUT PRESIDENT PEREZ' "GENTLEMANLY AND AMICABLE TREATMENT" TOWARD HIM, AND ACKNOWLEDGING THAT PEREZ' "PERSONALITY CONQUERED HIS SYMPATHIES". SOMOZA PREDICTED THAT "NOW THAT THE TWO COUNTRIES KNOW HOW TO BE GOOD FRIENDS, THEY CAN ALSO BECOME PARTNERS IN MUTUAL COOPERATION."

3. SOMOZA HAS DECLINED TO ENCOURAGE ATTEMPTS TO PORTRAY VENEZUELA AS HAVING OTHER THAN THE NOBLEST MOTIVES, DECLARING THAT THERE WAS NO POLITICAL PROMISE MADE AS A QUID PRO QUO, THAT THE PROPOSALS WERE PUT THROUGH AS FROM ONE SISTER REPUBLIC TO ANOTHER, AND THAT HE UNDERSTANDS VENEZUELA'S REASONS FOR WANTING TO STABILIZE THE PRICE OF OIL AT A HIGH LEVEL. HE ARGUED THAT AS LONG AS VENEZUELA'S PETROLEUM POLICY WAS BASED UPON PEACE, NOT THREATS, NICARAGUA WOULD BE SYMPATHETIC.

4. WHILE SOMOZA'S PRIVATE VIEWS (SEE MANAGUA 4849) ARE PREDICTABLY MORE RESERVED CONCERNING THE ECONOMIC EFFECT OF THE VENEZUELAN SCHEME, HIS PRIVATE ECHO OF HIS PUBLIC ASSESSMENT OF THE GENERAL STATE OF BILATERAL RELATIONS AS A RESULT OF THE PUERTO ORDAZ MEETING SUGGESTS THAT HIS SUSPICIONS ABOUT VENEZUELAN POLITICAL INTENTIONS HAVE BEEN CONSIDERABLY ALLAYED. OTHER GOVERNMENT SOURCES, HOWEVER, BELIEVE THAT IN VIEW OF THE LONG
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HISTORY OF ANTI-SOMOZA SENTIMENT EMANATING FROM CARACAS, VENEZUELA'S GAMBIT IN CENTRAL AMERICAN OUGHT TO BE MONITORED CAREFULLY LEST IT BE A TROJAN HORSE. MANY IN THE GOVERNMENT ALSO SEEM TO BE LOOKING OVER THEIR SHOULDERS AT HOW THE US REACTS, FEARING THAT NICARAGUA MIGHT BECOME UNWITTINGLY INVOLVED IN A TUG-OF-WAR BETWEEN THE TRADITIONAL PREPONDERATE POWER AND A POTENTIAL USURPER. ALL CONCEDE THAT PEREZ' TIMING AND APPROACH HAVE BEEN FAULTLESS RENDERING MORE CRITICAL ASSESSMENT OF THE SCHEME AS ALMOST CHURLISH.

5. THE NICARAGUANS "OUTS" HAVE BEEN UNSTINTING IN THE PRAISE OF PEREZ AND VENEZUELA. THE OPPOSITION PAPER LA PRENSA, GATHERING MUCH OF ITS NEWS FROM COSTA RICAN SOURCES BEFORE AND DURING THE SUMMIT MEETING, PLAYED THE DIFFICULT GAME OF PRAISING THE PROSPECTS OF THE CONFERENCE WHILE IGNORING THE PARTICIPATION OF SOMOZA. IN DEFINITIVE COMMENTARY FROM THIS SIDE, LA PRENSA CO-DIRECTOR AND OPPOSITION LAUREATE PABLO ANTONIO CUADRA WAS ECSTATIC ABOUT THE NEW PERSPECTIVES ARISING FROM THE AGREEMENT CALLING IT "ANOTHER STAR IN THE DECEMBER SKY". CUADRA FURTHER EXCLAIMED THAT "FOR FIRST TIME IN THE HISTORY OF POST-INDEPENDENT AMERICA ONE OF 'OURS' HAS ARISEN TO BECOME AN ECONOMIC POWER WITH A NON-AGGRESSIVE, NON-EXPLOITING SPIRIT, REALIZING THE BOLIVARIAN IDEAL ON FIRM ANTI-COLONIAL ECONOMIC BASES."

6. BOTH GOVERNMENT AND NON-GOVERNMENT HAVE BEEN EMBARRASSED AND APPEARED AWKWARD IN HANDLING THE NICARAGUAN REJECTION OF THE COFFEE RETENTION MECHANISM. FOR TWO WEEKS BEFORE THE CONFERENCE, LA PRENSA REPORTED THE MISGIVINGS OF COFFEE GROWERS ABOUT THE POSSIBILITIES OF A NEW RETENTION PLAN. HAVING ONCE BEEN SHORT-CHANGED BY EXPORT CONTROLS IN THE RECENT PAST, IT WAS REPORTED THAT THE COFFEE GROWERS WERE RELUCTANT TO TRUST ANY NEW SCHEME. NOT WANTING TO RISK CONFRONTATION WITH THE PLANTERS, BUT UNWILLING TO APPEAR TO BE THE SCAB AMONG THE OTHER CENTRAL AMERICAN COUNTRIES, THE GOVERNMENT EARLY ATTEMPTED TO RATIONALIZE ITS DECISION NOT TO PARTICIPATE BY FIRST ALLUDING TO THE POTENTIAL EFFECT OF THE US TRADE BILL ON COUNTRIES ENGAGING IN CARTELS AND FINALLY TO NICARAGUA'S OBLIGATIONS UNDER GATT WHICH THE GON SUGGESTED MIGHT INVITE RETALIATION FROM OTHER COUNTRIES. WHILE THE OPPOSITION MADE A HALF-HEARTED ATTEMPT TO BLAME NICARAGUA'S

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C O N F I D E N T I A L SECTION 2 OF 2 MANAGUA 4949

REJECTION ON PRESSURE FROM THE US, THE GOVERNMENT MADE AN
EQUALLY HALF-HEARTED TRY TO ESSAY THE GATT ARGUMENT AND TO
DEFEND THE DECISION IN TERMS OF NATIONAL SELF-INTEREST. UNDER-
STANDABLY, FEW ON EITHER SIDE OF THE FENCE ARE SEEMINGLY
INTERESTED IN ACKNOWLEDGING PUBLICLY THAT BY BREAKING RANKS
WITH ITS SISTER REPUBLICS, NICARAGUA IS LIKELY TO GET A FREE-RIDE
IF THE SCHEME IS SUCCESSFUL IN MAINTAINING HIGH COFFEE PRICES.
COMMENT: MOST OF COMMENTARY AND ANALYSIS THUS FAR HAVE
CONCERNED THE SENTIMENTAL ASPECTS OF VENEZUELA'S BOLIVARIAN
BEAU GESTE AND ONLY SUPERFICALLY THE COMPARATIVELY HUGE
SUMS INVOLVED. EXCEPT FOR THOSE IN THE GOVERNMENT MOST
INTIMATELY INVOLVED IN THE NEGOTIATIONS, THERE HAS BEEN LITTLE
AWARENESS OF THE CONDITIONS AND MODALITIES OF THE SCHEME. WHILE
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SOME OF THE LUSTRE OF THE PLAN IS LIKELY TO DULL UPON CLOSER
INSPECTION, AS OF NOW VENEZUELA APPEARS TO HAVE SCORED
CONSIDERABLE PUBLIC RELATIONS AND DIPLOMATIC VICTORY THROUGH ITS
ADEPT PRESENTATION.
SHELTON

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